



**UNITED STATES BANKRUPTCY COURT**  
CENTRAL DISTRICT OF CALIFORNIA  
OFFICE OF THE CLERK

**KATHLEEN J. CAMPBELL**  
Executive Officer  
Clerk of Court

**MEDIA RELEASE**

**FOR IMMEDIATE RELEASE**  
**DECEMBER 22, 2020**

**RE: THE UNITED STATES BANKRUPTCY COURT FOR THE CENTRAL  
DISTRICT OF CALIFORNIA SMALL BUSINESS REORGANIZATION  
TASK FORCE ISSUES ITS REPORT**

Chief Bankruptcy Judge Maureen A. Tighe announced the United States Bankruptcy Court for the Central District of California has issued its Small Business Reorganization Task Force Final Report today.

A group of bankruptcy judges and insolvency professionals has been meeting over the past year to look at ways the U.S. Bankruptcy Court for the Central District of California can address obstacles for small businesses needing to file a Chapter 11 bankruptcy. The Central District of California is the seven-county federal judicial district spanning from San Luis Obispo County south to Orange County and east to San Bernardino and Riverside Counties. The District's Small Business Reorganization Task Force recommendations seek to better implement the Small Business Reorganization Act that went into effect at the beginning of the year.

The report details the size of small business bankruptcy cases in the court over the last 10 years. In 2019, the Court handled 420 Chapter 11 cases, and 399 of them were small businesses. Small businesses with liabilities under \$7.5 million make up approximately 95% of the Chapter 11 cases in the District. Chief Bankruptcy Judge Tighe states that "small businesses in financial distress have the Court's attention – we will use these recommendations to better address the increasing need for bankruptcy relief as a result of the COVID-19 pandemic."

The report contains information about an outreach program intended to educate businesses in the community considering filing bankruptcy. It also contains advice for judges and practitioners on how to keep costs down in small business cases. Chief Bankruptcy Judge Tighe hopes that the business and insolvency professionals in the community will use these materials to educate businesses in financial distress. The Task Force has listed many different groups that Task Force members are contacting in the hopes that the variety of communities in the District know the options available under the bankruptcy laws. The report also recommends that businesses hire experienced bankruptcy and insolvency lawyers to navigate reorganization or liquidation successfully.

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The report also has recommendations for new local rules and forms intended to make cases under the Small Business Reorganization Act move more smoothly. These proposals have already been submitted for approval to the court and should go into effect next year.

The importance of alternative dispute resolution in these cases is paramount. The Task Force has already obtained funding for mediation training for the trustees who will be appointed in these cases. The Task Force hopes the speedy resolution of disputes between the small business owner and its creditors will increase the chances of recovery for all involved. Similarly, the report recommends that bar associations develop lists of valuation experts and small business turnaround consultants who can assist these cases.

Chief Bankruptcy Judge Tighe described the goal of the Small Business Reorganization Act as obtaining the best return for both debtors and creditors without running up expensive litigation costs. As she explained, “while we can’t find funds where there are none, we can be as effective as possible in marshalling the resources left in a financially distressed business. We have a wide variety of talented insolvency professionals in our community, and we know they are ready to help as many small businesses as possible survive this pandemic.”

The report is posted on the bankruptcy court’s website and can be downloaded [here](#).

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